Filed 11/21/16 City of Murrieta v. Dept. of Finance CA3

NOT TO BE PUBLISHED

IN THE COURT OF APPEAL OF THE STATE OF CALIFORNIA

THIRD APPELLATE DISTRICT

(Sacramento)

CITY OF MURRIETA, Plaintiff and Appellant, v. DEPARTMENT OF FINANCE et al., Defendants and Respondents.	C075118 (Super. Ct. No. 34-2012-80001346-CU-WM-GDS)

The California Department of Finance (Finance) disallowed certain loan payments made to the City of Murrieta (Murrieta) by its redevelopment agency, and the trial court upheld Finance's determination. Among other things, Murrieta asserts on appeal that the loan payments should have been allowed as payments for enforceable obligations.

Murrieta loaned its redevelopment agency $3.87 million in 2004 (the RDA loan) and $1.5 million in 2005 (the CIP loan) for redevelopment purposes. Beginning in 2009, the redevelopment agency began making annual payments on the loans: $500,000 annually for the RDA loan, and $288,912.50 annually for the CIP loan. In 2011, the redevelopment agency adopted an operating budget providing for the accelerated repayment of the loans.

In June 2011, the Legislature passed legislation which suspended the activities of redevelopment agencies effective June 29, 2011, provided for the winding down of their activities, and dissolved them on October 1, 2011. However, successor agencies (the agencies replacing the redevelopment agencies) were required to continue to pay enforceable obligations. (Health & Saf. Code, § 34169, subd. (a).)[1]

On June 30, 2011, Murrieta's redevelopment agency paid Murrieta regular annual payments of $500,000 for the RDA loan and $288,912.50 for the CIP loan; and on December 30, 2011, it repaid the loans in full.

But the Legislature changed the definition of an enforceable obligation during the relevant time period. (Stats. 2011, 1st Ex. Sess. 2011-2012, ch. 5, §§6-7 [former §§ 34167, subds. (d) & (f), 34170, subd. (a), 34171, subd. (d)].) Prior to October 1, 2011, an enforceable obligation included agreements between a redevelopment agency and its sponsor (the city, county, or city and county that formed the redevelopment agency); effective October 1, 2011, however, such agreements were no longer enforceable obligations, except for agreements entered into within two years of the creation of the redevelopment agency. (Compare Stats. 2011, 1st Ex. Sess. 2011-2012, ch. 5, § 6 [§ 34167, subd. (d)] with *id.* at § 7 [§ 34171, subd. (d)(2)].)

Finance allowed the redevelopment agency's June 30, 2011 loan payment of $500,000 on the RDA loan, but disallowed the June 30, 2011 loan payment of $288,912.50 on the CIP loan, saying the CIP loan payment was not made pursuant to an enforceable obligation. Finance also disallowed the redevelopment agency's accelerated repayment of the loans on December 30, 2011.

Murrieta filed petitions for writ of mandate seeking to direct Finance to set aside the payment disallowances. The trial court consolidated the writ petitions and denied them.

Murrieta now contends (1) Finance erred in disallowing the loan payments because the loans were enforceable obligations; (2) although the statutory definition of an

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[1] Undesignated statutory references are to the Health and Safety Code.

enforceable obligation excluded agreements between a redevelopment agency and its sponsor, the exclusion is not applicable here because the Legislature did not intend the exclusion to apply retroactively; (3) Finance's review of payments made by the redevelopment agency after January 1, 2011, and its disallowance of the loan payments, violated the constitutional prohibition against impairment of contracts; and (4) Finance's decisions, and the "dissolution law" itself, violate Proposition 22.

We conclude:

1. When the redevelopment agency made the June 30, 2011 loan payment of $288,912.50 on the CIP loan, section 34167 authorized the payment. But the definition of an enforceable obligation changed effective October 1, 2011. As a result, pursuant to section 34171, the December 30, 2011 accelerated loan repayments were not for enforceable obligations.

2. Finance's disallowance of the loan payments was not a retroactive application of the law.

3. The constitutional prohibition against impairment of contracts does not prevent the Legislature from changing the contractual rights of political subdivisions or agencies of the State acting in a governmental capacity.

4. We will not consider Murrieta's Proposition 22 claims because they were presented for the first time on appeal and the record contains no evidence of Murrieta's factual assertions.

We will reverse the portion of the judgment upholding Finance's disallowance of the June 30, 2011 loan payment of $288,912.50 on the CIP loan, and affirm the remainder of the judgment.

BACKGROUND

Murrieta's city council adopted an ordinance on July 7, 1992, making Murrieta's city council the redevelopment agency for Murrieta. On October 20, 1992, Murrieta and the redevelopment agency entered into a Cooperation Agreement. Under that agreement, "[Murrieta] may, but is not required to, advance necessary funds to the [redevelopment agency] or to expend funds on behalf of the [redevelopment agency] for the preparation and implementation of one or more redevelopment plans." In addition, the redevelopment agency agreed to reimburse Murrieta for "all costs incurred for services by [Murrieta] . . . to the extent that funds are available to the [redevelopment agency] for such purposes pursuant to Section 33670 of the Health and Safety Code or from other sources." Section 33670 and article XVI, section 16 of the California Constitution authorized tax increment funding for redevelopment agencies. (*California Redevelopment Assn. v. Matosantos* (2011) 53 Cal.4th 231, 246 (*Matosantos*).) The parties intended that Murrieta would "be entitled to repayment of the expenses incurred" under the agreement. The obligations of the redevelopment agency under the agreement constituted an indebtedness of the redevelopment agency, to be repaid to Murrieta "with the rate of interest that would have been paid by [Murrieta] on its funds under the Local Agency Investment Fund (LAIF) not to exceed twelve percent (12%)."

On October 5, 2004, City Manager Lori Moss recommended that Murrieta's city council approve the $3.87 million RDA loan from Murrieta's general fund to the redevelopment agency for the purchase of 10 acres of land. Concurrently, Moss (acting as Executive Director of the redevelopment agency) recommended that the board of directors of the redevelopment agency accept the loan from Murrieta and authorize the purchase of the land. Moss said the purchase would benefit ongoing redevelopment agency activities within the project area, and -- subject to approval by the board -- the site would be held by the redevelopment agency until uses were presented and approved by Murrieta's city council. It was expected that the redevelopment agency would repay the loan by selling bonds in early 2005. The redevelopment agency adopted a resolution approving the land purchase.

Murrieta's city council and the redevelopment agency's board of directors also adopted resolutions on March 15, 2005, approving the $1.5 million CIP loan from

Murrieta to the redevelopment agency to be used for a right-of-way acquisition on a road widening project. The redevelopment agency was to repay Murrieta from the proceeds of the sale of a 10-acre parcel owned by the redevelopment agency. The resolutions said Murrieta and the redevelopment agency entered into a Cooperation Agreement allowing Murrieta to advance funds for the preparation and implementation of redevelopment plans, but the resolutions did not say that the Cooperation Agreement governed the CIP loan. There is no contemporaneous written agreement for the RDA loan or the CIP loan.

The redevelopment agency did not make any payment to Murrieta for the RDA loan or the CIP loan until 2009. On November 3, 2009, Murrieta's city council and the governing board of the redevelopment agency adopted resolutions approving repayment of the RDA and CIP loans. The redevelopment agency was to pay $500,000 each year until the RDA loan was paid off in the 2017/2018 fiscal year, and $288,912.50 each year until the CIP loan was paid off in the 2015/2016 fiscal year, with interest accruing at the average LAIF rate.

Governor Jerry Brown declared a state fiscal emergency on January 20, 2011. (*Matosantos, supra,* 53 Cal.4th 231, 250.) While State and local governments and schools faced significant declines in revenues, redevelopment agencies had expanded and increasingly shifted property taxes away from schools, counties, special districts, and cities, taking approximately 12 percent of all of the property taxes collected. (Stats. 2011, 1st Ex. Sess. 2011-2012, ch. 5, § 1.) It was estimated that redevelopment agencies would divert $5 billion in property taxes from other taxing agencies in the 2011-2012 fiscal year. (*Ibid.*) The Governor proposed eliminating redevelopment agencies as one means of closing the State's projected $25 billion operating deficit. (*Matosantos, supra,* 53 Cal.4th at p. 250.)

Ultimately, the Legislature passed Assembly Bill Nos. 1X 26 (Assembly Bill 1X 26) and 1X 27 (Assembly Bill 1X 27) (2011-2012 1st Ex. Sess.). (*Matosantos, supra,* 53 Cal.4th at p. 250.) Assembly Bill 1X 26 suspended the activities of redevelopment agencies effective June 29, 2011, and provided for the winding down of their activities. (Stats. 2011, 1st Ex. Sess. 2011-2012, ch. 5, § 1.) Pursuant to Assembly Bill 1X 26, redevelopment agencies would be dissolved on October 1, 2011. (*Id.* at § 7 [former § 34170, subd. (a)]; § 34172, subd. (a)(1).) Assembly Bill 1X 27 created an alternative voluntary redevelopment program which allowed redevelopment agencies to continue if the cities and/or counties that created them agreed to make payments into funds that benefited schools and special districts. (*Matosantos, supra,* 53 Cal.4th at p. 241; Assem. Budget Com., Conc. in Sen. Amend., analysis of Assembly Bill 1X 26 (2011-2012 1st Ex. Sess.) as amended June 15, 2011, p. 6.) Affected parties promptly challenged Assembly Bill 1X 26 and Assembly Bill 1X 27. (*Matosantos, supra,* 53 Cal.4th at p. 241.)

Meanwhile, on June 21, 2011, the governing board of the Murrieta redevelopment agency adopted a budget for the 2011/2012 fiscal year, providing for an "advance payoff" to Murrieta for the remaining balances on the RDA loan ($3,130,591) and CIP loan ($1,369,563). However, on June 30, 2011, the redevelopment agency made the regular annual payments to Murrieta in the amounts of $500,000 for the RDA loan and $288,912.50 for the CIP loan.

On December 29, 2011, the California Supreme Court rejected the constitutional challenges to Assembly Bill 1X 26, except for one provision not relevant here, and invalidated Assembly Bill 1X 27. (*Matosantos, supra,* 53 Cal.4th at pp. 241-242, 276.) The next day, December 30, the redevelopment agency fully repaid the RDA and CIP loans.

The Legislature enacted Assembly Bill No. 1484 (2011-2012 Reg. Sess.) (Assembly Bill 1484) on June 27, 2012, requiring successor agencies to prepare a due diligence review setting forth the amount of cash transferred by a redevelopment agency or its successor to the sponsor -- the city, county, or city and county that formed the redevelopment agency -- between January 1, 2011, through June 30, 2012. (§ 34179.5; Stats. 2012, ch. 26, § 17.)

On October 9, 2012, the oversight board for the successor to the redevelopment agency approved a due diligence review for the redevelopment agency's Low and Moderate Income Housing Fund. The review showed a $500,000 payment to Murrieta from the Low and Moderate Income Housing Fund on June 30, 2011, and a $3,157,418.93 accelerated repayment to Murrieta from the Low and Moderate Income Housing Fund on December 30, 2011. Finance disallowed those payments in an initial review. Following a meet and confer session with the successor to the redevelopment agency, Finance issued a final determination allowing the $500,000 RDA loan payment made on June 30, 2011, but disallowing the $3,157,419 accelerated RDA loan repayment made on December 30, 2011.

Murrieta filed a petition for writ of mandate and complaint for declaratory and injunctive relief against Finance, Ana J. Matosantos (in her official capacity as Director of Finance) and Paul Angulo (in his official capacity as the auditor-controller for Riverside County), challenging Finance's final determination. Murrieta alleged that the disallowed repayment was for an enforceable obligation, the RDA loan. It claimed Finance's action retroactively invalidated a preexisting contract between Murrieta and its redevelopment agency, but the Legislature did not intend Assembly Bill 1484 to retroactively invalidate previously authorized actions such as the loan repayment.

The successor to the redevelopment agency submitted a due diligence review for funds and accounts other than the Low and Moderate Income Housing Fund on January 10, 2013. Following a meet and confer session, Finance disallowed the June 30, 2011 CIP loan payment made by the redevelopment agency to Murrieta in the amount of $288,913, and it also disallowed the December 30, 2011 CIP accelerated loan repayment in the amount of $1,369,562. Finance determined those payments were not for enforceable obligations under section 34171. Murrieta filed a second petition for writ of mandate and complaint for declaratory and injunctive relief against Finance, Matosantos, and Angulo, challenging Finance's final determination regarding the CIP loan payments.

The trial court granted Murrieta's motion to consolidate the two writ petitions and granted Murrieta's motion for preliminary injunction, but ultimately denied the writ petitions. The trial court ruled Finance properly disallowed the $288,912.50 annual CIP loan payment, the $1,369,563 accelerated CIP loan repayment, and the $3,157,419 accelerated RDA loan repayment because those payments were not for enforceable obligations within the meaning of section 34171, subdivision (d). The trial court said the plain language of section 34179.5, subdivision (c)(2) showed the Legislature's intent to retroactively invalidate certain transfers between redevelopment agencies and their sponsors. The trial court was not persuaded by Murrieta's impairment of contracts claim, saying the constitutional prohibition against impairment of contracts did not apply between the State and its political subdivisions. The trial court added that even if Finance erroneously relied on section 34163, subdivision (c)(5) in its final RDA loan determination, the invalidation of the accelerated repayment was correct.

The trial court entered judgment denying the petitions for writ of mandate and the requests for declaratory and injunctive relief. Murrieta appealed.

STANDARD OF REVIEW

The parties do not dispute the facts, but dispute how the law is to be interpreted. Issues of constitutional and statutory interpretation are questions of law which we review do novo. (*County of San Bernardino v. Cohen* (2015) 242 Cal.App.4th 803, 809; *City of Petaluma v. Cohen* (2015) 238 Cal.App.4th 1430, 1439; *City of Brentwood v. Campbell* (2015) 237 Cal.App.4th 488, 500 (*City of Brentwood*).)

APPLICABLE LAW

The Legislature passed Assembly Bill 1X 26 to (1) bar redevelopment agencies from incurring new obligations; (2) dissolve redevelopment agencies; (3) establish successor agencies; (4) allocate property tax revenues to successor agencies for the enforceable obligations of the former redevelopment agencies and allocate remaining balances to cities, counties, special districts, and school and community college districts; and (5) require successor agencies to expeditiously wind down the affairs of the dissolved redevelopment agencies. (Stats. 2011, 1st Ex. Sess. 2011-2012, ch. 5, § 1.) Assembly Bill 1X 26 added Parts 1.8 and 1.85 to Division 24 of the Health and Safety Code, and became effective on June 29, 2011. (Stats. 2011, 1st Ex. Sess. 2011-2012, ch. 5.)

Part 1.8 (§§ 34161-34169.5) (the "freeze" provisions) pertains to the suspension of the activities of redevelopment agencies and the prohibition against the creation of new debts. (Stats. 2011, 1st Ex. Sess. 2011-2012, ch. 5, § 6; *Matosantos, supra*, 53 Cal.4th at p. 250.) The Legislature enacted Part 1.8 "to preserve, to the maximum extent possible, the revenues and assets of redevelopment agencies so that those assets and revenues that are not needed to pay for enforceable obligations may be used by local governments to fund core governmental services" and to ensure that redevelopment agencies would take no action that would further deplete the corpus of the agencies' funds regardless of their original source. (Stats. 2011, 1st Ex. Sess. 2011-2012, ch. 5, § 6.) The Legislature directed that Part 1.8 "shall be construed as broadly as possible to support this intent and to restrict the expenditure of funds to the fullest extent possible." (*Ibid*.)

Part 1.8 contains a "claw back" provision. (8 Miller & Starr, Cal. Real Estate (4th ed. 2015) § 30:1, p. 8.) Under that provision, a redevelopment agency transfer of assets is unauthorized after January 1, 2011. (Stats. 2011, 1st Ex. Sess. 2011-2012, ch. 5, § 6.) The Controller must determine whether such asset transfers, including transfers of money, occurred between a redevelopment agency and its sponsor. (Stats. 2011, 1st Ex. Sess. 2011-2012, ch. 5, § 6 [§§ 34167.5 (also requiring review of asset transfers involving other public agency and redevelopment agency), 34163, subd. (d)(1)].) In general, if a relevant asset transfer occurred and the government entity that received the asset was not contractually committed to a third party for the expenditure or encumbrance of that asset, the Controller must order the return of the asset. (Stats. 2011, 1st Ex. Sess. 2011-2012, ch. 5, § 6.)

Part 1.85 (§§ 34170-34183, 34185-34191) governs the dissolution of redevelopment agencies and the designation of successor agencies. Part 1.85 dissolved all redevelopment agencies and took away the authority of former redevelopment agencies to transact business or exercise powers previously granted under the Community Redevelopment Law (§ 33000 et seq.). (Stats. 2011, 1st Ex. Sess. 2011-2012, ch. 5, § 7.) All assets, contracts and records of the former redevelopment agency were transferred to the successor agency for administration. (*Ibid*.) Assembly Bill 1X 26 provided that, in general, Part 1.85 became effective on October 1, 2011, but the California Supreme Court extended certain deadlines in Part 1.85 by four months. (Legis. Counsel's Digest, Assem. Bill No. 1484 (2011-2012 Reg. Sess.) ch. 26; Stats. 2011, 1st Ex. Sess. 2011-2012, ch. 5, § 7 [former § 34170, subd. (a)]; *Matosantos, supra,* 53 Cal.4th at pp. 274-276 & fn. 25.) Murrieta incorrectly states in its appellate opening brief that Part 1.85 is found in Assembly Bill 1484 and was passed one year after Assembly Bill 1X 26. (Stats. 2011-2012, 1st Ex. Sess., ch. 5, § 7.)

Part 1.85 requires successor agencies to continue to pay enforceable obligations. (Stats. 2011, 1st Ex. Sess. 2011-2012, ch. 5, § 7.) But while Part 1.8 states that nothing in the freeze provisions of Assembly Bill 1X 26 "shall be construed to interfere with a redevelopment agency's authority, pursuant to enforceable obligations as defined in [section 34167], to make payments due," section 34171 in Part 1.85 changed the definition of an enforceable obligation during the relevant time period. (Stats. 2011, 1st Ex. Sess. 2011-2012, ch. 5, §6 [§ 34167, subds. (d) & (f)]; *id.* at § 7 [former §§ 34170, subd. (a), 34171, subd. (d)].) Effective October 1, 2011, an enforceable obligation includes money borrowed by the redevelopment agency for a lawful purpose, to the extent the redevelopment agency is legally required to repay the loan pursuant to a payment schedule or other mandatory loan terms. (Stats. 2011, 1st Ex. Sess. 2011-2012, ch. 5, § 7.) But an enforceable obligation no longer includes agreements between a redevelopment agency and its sponsor, except for loan agreements entered into between a redevelopment agency and its sponsor within two years of the creation of the redevelopment agency. (Stats. 2011, 1st Ex. Sess. 2011-2012, ch. 5, § 7 [§§ 34171, subd. (d)(2), 34178, subds. (a), (b)(2)]; *Id*. at § 6 [§ 34167, subd. (d)].)

The Legislature enacted Assembly Bill 1484 on June 27, 2012, as a cleanup bill. (See Stats. 2011, 1st Ex. Sess. 2011-2012, ch. 5, § 7 [former § 34189, subd. (b)].) Assembly Bill 1484 imposed new requirements on successor agencies with regard to the submission of a due diligence review to determine the unobligated balances available for transfer to affected taxing entities, and the recovery and remittance of funds determined to have been transferred absent an enforceable obligation. (Legis. Counsel's Digest, Assem. Bill No. 1484 (2011-2012 Reg. Sess.) ch. 26.) Each successor agency must submit an audit provided by the county auditor-controller or a due diligence review prepared by an approved, licensed accountant, with information including the dollar value of assets, cash, and cash equivalents transferred after January 1, 2011, and through June 30, 2012, by the redevelopment agency or its successor to the sponsor. (§ 34179.5, subds. (a), (c)(2).) Finance can, under specified circumstances, require the return of funds improperly spent or transferred to a public entity, and Finance can require the State Board of Equalization and the county auditor-controller to offset sales and use taxes and property tax allocations to the local agency as a remedy for the failure to remit the funds. (§ 34179.6, subd. (h).)

Assembly Bill 1484 authorized Finance to issue a finding of completion to a successor agency that completed the due diligence review and met other requirements. (§ 34179.7; Legis. Counsel's Digest, Assem. Bill No. 1484 (2011-2012 Reg. Sess.) ch. 26.) After a successor agency receives a finding of completion from Finance, loan agreements entered into between the former redevelopment agency and its sponsor are deemed enforceable obligations, provided the oversight board for the redevelopment agency makes a finding that the loan was for legitimate redevelopment purposes. (§ 34191.4, subd. (b)(1).) If the oversight board finds that a loan is an enforceable obligation, the loan is to be repaid to the sponsor in accordance with a defined schedule over a reasonable term of years subject to specified limitations. (Stats. 2012, ch. 26, § 35 [former § 34191.4, subd. (b)(2)].)

DISCUSSION

I

Murrieta contends Finance erred in disallowing the loan payments because the loans were enforceable obligations within the meaning of section 34167, subdivision (d)(2).

Well settled rules of statutory construction guide us in this analysis. Our goal is to ascertain and effectuate the intent of the Legislature in enacting the statute. (Code of Civ. Proc., § 1859; *Picerne Construction Corp. v. Castellino Villas* (2016) 244 Cal.App.4th 1201, 1208.) " 'We first examine the words themselves because the statutory language is generally the most reliable indicator of legislative intent. [Citation.] The words of the statute should be given their ordinary and usual meaning and should be construed in their statutory context.' [Citation.] If the plain, commonsense meaning of a statute's words is unambiguous, the plain meaning controls." (*Fitch v. Select Products Co.* (2005) 36 Cal.4th 812, 818.) "[W]e give 'significance to every word, phrase, sentence, and part of an act in pursuance of the legislative purpose' " and construe the statutory language in light of the entire statutory scheme of which it is a part. (*Teachers' Retirement Bd. v. Genest* (2007) 154 Cal.App.4th 1012, 1028.)

Here, the words of the statutes are clear. The Legislature said Part 1.8 of Assembly Bill 1X 26 would take effect on June 29, 2011, and Part 1.85 of the same bill would take effect on October 1, 2011. (Stats. 2011, 1st Ex. Sess. 2011-2012, ch. 5, § 7 [former § 34170, subd. (a)]; § 34161.) Thus, when the redevelopment agency made the June 30, 2011 loan payment of $288,912.50 on the CIP loan, section 34167 authorized the payment. (§ 34167, subds. (d)(2), (f).) The payment was made on a loan borrowed by the redevelopment agency for a lawful purpose; the loan was required to be repaid pursuant to a payment schedule; and the loan financed a redevelopment project. (§ 34167, subd. (d)(2); Stats. 2011, 1st Ex. Sess. 2011-2012, ch. 5, § 7.) Finance erred in disallowing the June 30, 2011 payment on the CIP loan. (§§ 34167, subds. (d), (f), 34169, subd. (a).)

But the definition of an enforceable obligation changed effective October 1, 2011. Unlike Part 1.8, Part 1.85 generally excludes from the definition of an enforceable obligation agreements between a redevelopment agency and its sponsor. (§ 34171, subd. (d)(2).) The more restricted definition of enforceable obligation in section 34171 is consistent with the Legislature's concern about asset transfers between redevelopment agencies and their sponsors. (§ 34167.5; *Matosantos, supra*, 53 Cal.4th at p. 258 &fn. 12; see also Sen. Rules Com., Off. of Sen. Floor Analyses, 3d reading analysis of Assembly Bill No. 1484 (2011-2012 Reg. Sess.) as amended June 25, 2012, p. 8; Assem. Budget Com., Conc. in Sen. Amend., analysis of Assem. Bill No. 1484 (2011-2012 Reg. Sess.) as amended June 25, 2012, pp. 8-9; Legis. Analyst, The 2012-2013 Budget: Unwinding Redevelopment (Feb. 17, 2012) pp. 10, 16.) Under Part 1.85, only payments required pursuant to an Enforceable Obligation Payment Schedule (EOPS) could be made. (Stats. 2011, 1st Ex. Sess. 2011-2012, ch. 5, § 7 [former § 34177, subd, (a)(1)].) Payments associated with obligations excluded from the definition of an enforceable obligation had to be excluded from an EOPS. (*Ibid*.)

As a result, pursuant to section 34171, the December 30, 2011 accelerated loan repayments were not for enforceable obligations. Murrieta created the redevelopment agency, and the RDA and CIP loans were agreements between a redevelopment agency and its sponsor. (§ 34171, subd. (d)(2); Stats. 2011, 1st Ex. Sess. 2011-2012, ch. 5, § 7 [former §§ 34170, subd. (a), 34177, subd. (a)(1)].) Finance did not err in disallowing the December 30, 2011 accelerated loan repayments.

Murrieta argued in oral argument before this court that the California Supreme Court in *Matosantos, supra*, 53 Cal.4th 231 extended the effective date for the change in definition of an enforceable obligation by four months, so that the change did not take effect on October 1, 2011, but instead took effect after the accelerated loan payments had been made. We disagree. It is true that when the California Supreme Court accepted jurisdiction in *Matosantos*, it stayed implementation of the provisions in Part 1.85, and as a result, "[n]umerous critical deadlines contained in that part" had passed and could no longer be met. (*Matosantos, supra*, 53 Cal.4th at p. 274.) The Supreme Court concluded the impossibility of meeting those deadlines "ought not to prevent the Legislature's valid enactment from taking effect." (*Ibid*.) The Supreme Court exercised its power of reformation to revise "each effective date or deadline for performance of an obligation in part 1.85 of division 24 of the Health and Safety Code (§§ 34170-34191) arising before May 1, 2012, to take effect four months later." (*Matosantos, supra*, 53 Cal.4th at p. 275.) Some, including Murrieta, have interpreted this Supreme Court language to mean that *everything* in Part 1.85 became effective on February 1, 2012. (See, e.g., § 34170.) But the Supreme Court said otherwise in *Matosantos*. It repeatedly referred to missed or imminent deadlines and obligations (*Matosantos, supra*, 53 Cal.4th at pp. 274-276 & fns. 25, 26), specifying that no reformation was made for future obligations in subsequent fiscal years, and no reformation was made for a matter that was not an obligation. (*Id*. at pp. 275-276 & fn. 26.)

The Supreme Court did not say it was reforming the effective date of section 34171, subdivision (d)(2), the provision that changed the definition of an enforceable obligation. (*Matosantos, supra*, 53 Cal.4th at pp. 274-276.) Rather, the Supreme Court's reformation remedied the fact that it was "impossible for the parties and others affected to comply with the legislation's literal terms." (*Id*. at p. 274.) The Supreme Court said that by exercising the power of reformation it could "as closely as possible effectuate the Legislature's intent and allow its valid enactment to have its intended effect." (*Ibid*.)

The Supreme Court only considered "the extent to which deadlines in part 1.85" had to be extended "to account for the stay, while taking effect as promptly as the Legislature intended." (*Id*. at p. 275.)

Here, nothing in the record indicates it was impossible for the redevelopment agency to comply with former sections 34171, subdivision (d) and 34177, subdivision (a)(1) of Assembly Bill 1X 26 on December 30, 2011. Based on the clear language of Assembly Bill 1X 26, we conclude section 34171, subdivision (d)(2) and former section 34177, subdivision (a)(1) were controlling when the redevelopment agency made the accelerated loan repayments and, under those provisions, the accelerated loan repayments were not for enforceable obligations.

Murrieta nevertheless contends the loans between it and its former redevelopment agency qualify as enforceable obligations because they fall within an applicable exception under section 34171, subdivision (d)(2). Section 34171 provides that a loan agreement entered into between a redevelopment agency and its sponsor within two years of the date of creation of the redevelopment agency may be deemed an enforceable obligation. (§ 34171, subd. (d)(2).) That exception does not apply here, however, because the RDA and CIP loans were not executed within two years of July 7, 1992, the date Murrieta created the redevelopment agency.

Murrieta says the Cooperation Agreement functioned as an agreement for a line of credit, and Murrieta and the redevelopment agency entered into the Cooperation Agreement three months after Murrieta created the redevelopment agency. We disagree. The Cooperation Agreement provides, "[t]he City may, but is not required to, advance necessary funds to the [redevelopment agency] . . . ." While the Cooperation Agreement contemplates future loans of money and an interest rate for a future loan, it does not obligate Murrieta to provide the redevelopment agency any sum of money or a line of credit. On the record before us, Murrieta did not agree to loan the redevelopment agency any money until 2004 and 2005. The December 30, 2011 accelerated loan repayments were not for enforceable obligations under section 34171, subdivision (d)(2).

II

Murrieta next argues the Legislature did not intend to apply section 34171, subdivision (d)(2) retroactively.

In general, statutes operate prospectively only. (*McClung v. Employment Development Dept*. (2004) 34 Cal.4th 467, 475.) " '[A] statute may be applied retroactively only if it contains express language of retroactivity *or* if other sources provide a clear and unavoidable implication that the Legislature intended retroactive application.' " (*Ibid.*)

Murrieta's retroactive application claim may be based on the incorrect belief that Part 1.85 was enacted in 2012 as part of Assembly Bill 1484.[2] But the December 30, 2011 accelerated loan repayments were properly disallowed under the statutes already in effect at the time the payments were made. Finance's determination regarding the accelerated loan repayments was not a retroactive application of section 34171. (*City of Los Angeles v. City of Artesia* (1977) 73 Cal.App.3d 450, 457 [statutory cost reductions which applied to services rendered after the effective date of the statute were not applied retroactively].)

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[2] We do not address whether Assembly Bill 1484 authorizes Finance to disallow transfers made after January 1, 2011, and through June 28, 2011 as those facts are not before us. We note that the court in *City of Brentwood, supra,* 237 Cal.App.4th 488 rejected the argument that the Legislature did not have authority to redirect tax increment already allocated to a redevelopment agency by retroactively invalidating sponsor agreements executed after January 1, 2011, and reclaiming payments made to the sponsor agency. (*Id.* at pp. 498-500.) The court held the Legislature's plenary authority to dictate the manner in which redevelopment agencies ended included the authority to revoke the ability of those agencies to enter into sponsor agreements starting in January 1, 2011. (*Ibid.*)

III

Murrieta next claims that Finance's review of payments made by the redevelopment agency after January 1, 2011, and its disallowance of the loan payments, violated the constitutional prohibition against impairment of contracts.

The federal and state constitutions prohibit the enactment of any law that impairs contractual obligations. (U.S. Const., art. I, § 10, cl. 1; Cal. Const., art. I, § 9.) But those prohibitions do not prevent the Legislature from changing the contractual rights of the political subdivisions or agencies of the State acting in a governmental capacity. (*Williams v. Baltimore* (1933) 289 U.S. 36, 40 [77 L.Ed. 1015, 1020] [a municipal corporation created by the state has no privileges or immunities under the federal Constitution which it may invoke in opposition to the will of its creator]; *Trenton v. New Jersey* (1923) 262 U.S. 182, 185, 187-188 [67 L.Ed. 937, 940-941] [the city is a creature of the state and the contract clause of the federal Constitution does not limit the state's power over the rights and property of the city which are held and used for governmental purposes]; *Worcester v. Worcester C.S.R. Co.* (1905) 196 U.S. 539, 548-552 [49 L.Ed. 591, 595-597] [state statute does not violate the impairment of the obligation of contracts clause of the federal Constitution because the city is a creature of the state and the state could alter or abolish a right in favor of the city]; *State v. Marin Municipal Water Dist.* (1941) 17 Cal.2d 699, 705 [a municipal corporation "has no standing to invoke the impairment of contracts clause . . . of the United States Constitution in opposition to acts of the state legislature"]; *County of Alameda v. Janssen* (1940) 16 Cal.2d 276, 284 [legislation does not violate federal or state prohibition against impairment of the obligation of contracts because county was acting as an agent for the state in dispensing old age relief and there can be no impairment of contracts upon the State's voluntary relinquishment of any contractual rights it may have acquired]; *Cox Cable San Diego, Inc. v. City of San Diego* (1987) 188 Cal.App.3d 952, 966-967 [as a political subdivision of the State and acting in its governmental capacity, the city has no standing to raise the defense of impairment of contract in opposition to the acts of the Legislature] *Yosemite Portland Cement Corp. v. State Board of Equalization* (1943) 59 Cal.App.2d 39, 45 [impairment of obligations of contract clause does not apply to a transaction between the city and one of its departments]; contra, *Olson v. Cory* (1980) 26 Cal.3d 672 [involves annual cost-of-living increases for judges]; *Jones v. Union Oil Co.* (1933) 218 Cal. 775 [involves "contract" rights of a non-government entity judgment creditor]; *Board of Administration v. Wilson* (1997) 52 Cal.App.4th 1109 [involves contract rights of public employees].)

Murrieta and the redevelopment agency are creatures of the State and exist only at the sufferance of the State. (§ 33000; *Matosantos, supra*, 53 Cal.4th at pp. 255-256; *Pacific States Enterprises, Inc. v. City of Coachella* (1993) 13 Cal.App.4th 1414, 1424.) Murrieta's impairment of contract claim lacks merit.

In the context of arguing that Finance's decisions lack constitutional justification, Murrieta also contends Finance improperly relied on section 34163, subdivision (c)(5). Section 34163, subdivision (c)(5) provides that a redevelopment agency cannot amend or modify existing agreements with any entity except for certain specified purposes. Finance cited section 34163, subdivision (c)(5) in disallowing the accelerated repayment on the RDA loan, but it did not cite that section in disallowing the payments on the CIP loan. Murrieta argues Finance's reliance on section 34163 was improper because the accelerated loan repayment for the RDA loan did not amend or modify the underlying loan obligation.

We review Finance's decision to determine whether Finance proceeded in the manner required by law. (*Hi-Desert Medical Center v. Douglas* (2015) 239 Cal.App.4th 717, 730 [administrative mandate]; *Sacks v. City of Oakland* (2010) 190 Cal.App.4th 1070, 1082 [traditional mandate].) Where the facts are not disputed, we exercise independent judgment to address the legal question of statutory interpretation. (*Danser v. Public Employees' Retirement System* (2015) 240 Cal.App.4th 885, 890.)

We have determined that, as a matter of law, Finance properly denied the December 30, 2011 accelerated loan repayments. We are not bound by Finance's citation to, or interpretation of, the statutes.

IV

Murrieta also asserts that Finance's decisions, and the "dissolution law" itself, violate Proposition 22. Article XIII, section 25.5, subdivision (a)(7)(A) of the state Constitution, added by Proposition 22, prohibited the Legislature from requiring a redevelopment agency to pay property taxes "allocated to the agency pursuant to Section 16 of Article XVI to or for the benefit of the State" or its agencies and jurisdictions. (*Matosantos, supra*, 53 Cal.4th at p. 260.) Murrieta claims Finance seeks to redirect funds that were distributed by the redevelopment agency before its dissolution for the benefit of the State.

Murrieta did not raise its Proposition 22 arguments in the trial court. "We recognize we have discretion whether to consider new issues, and appellate courts often do so if the issue involves legal questions of public interest. [Citation.] ' "There are many situations where appellate courts will consider [matters raised for the first time on appeal]. They will often be considered where the issue relates to questions of law only. [Citations.] Appellate courts are more inclined to consider such tardily raised legal issues where the public interest or public policy is involved. [Citations.] And whether the rule shall be applied is largely a question of the appellate court's discretion." [Citations.]' " (*Humane Society of U.S. v. Superior Court* (2013) 214 Cal.App.4th 1233, 1273.)

We decline to consider Murrieta's Proposition 22 claims because they were presented for the first time on appeal, the respondents have not addressed the claims in the trial court or on appeal, and the record contains no evidence of Murrieta's factual assertions. (*City of Cerritos v. State of California* (2015) 239 Cal.App.4th 1020, 1046; *Zumbrun Law Firm v. California Legislature* (2008) 165 Cal.App.4th 1603, 1623, fn. 12; *Doyle v. Board of Barber Examiners* (1966) 244 Cal.App.2d 521, 524.) There is no evidence that the determinations by Finance would require the redevelopment agency or its successor to pay taxes allocated pursuant to section 16 of article XVI. As Finance points out, the redevelopment agency or its successor may have had money that was not from tax increment. Murrieta says in its reply brief that at least some of the funds Finance is attempting to "claw back" are from tax increment, but we cannot determine whether the amounts shown on the pages of appellate record cited by Murrieta relate to the loan payments at issue here. There is also no evidence supporting Murrieta's appellate contention that the challenged payments were in exchange for goods and services.

DISPOSITION

The judgment is reversed with regard to the June 30, 2011 loan payment of $288,912.50 on the CIP loan. The judgment is otherwise affirmed. Each party shall bear its own costs on appeal.

/S/
MAURO, J.

We concur:

/S/
HULL, Acting P. J.

/S/
ROBIE, J.